

Instructions for Reconciling Construction Work In Progress (CWIP) to NOAA's CWIP Subsidiary Ledger

The Importance of CWIP To NOAA's Financial Statements:

In recent years, construction work in progress (CWIP) has become the single largest star in NOAA's constellation of financial assets, and shows no sign of abating. CWIP was \$1.4 billion, on the fiscal year 1998 audited financial statements, which was 42% of total property, plant, and equipment, and 28% of total assets. Therefore, if the CWIP balances are materially misstated, they can materially misstate NOAA's financial statements, as a whole. This materiality gives NOAA's independent auditors reason to scrutinize the CWIP balances during the course of their annual audit work.

Reliable and valid CWIP balances can only be achieved if they are regularly monitored and reconciled to NOAA's subsidiary record for CWIP. The responsibility for this vigilance lies with each CWIP task and program manager for each major category of NOAA property.

Those categories, which are subject to change, currently include:

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- | | |
|---------------------------|--------------------------------|
| -Satellites | - Ships and Launches |
| -NEXRAD | - Aircraft |
| -AWIPS | - Buildings |
| -ASOS | - Structures, facilities, and |
| -TPMS | leasehold improvements |
| -CRS | - Betterments and Improvements |
| -Satellite Ground Systems | to Personal and Real Property |
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The purpose of these reconciliation instructions is to facilitate efficient and reliable verifications and adjustments to the CWIP balances by major property category. These instructions are a supplemental and integral part of the latest issuance of NOAA's CWIP Policies and Procedures Manual.

NOAA's Official Subsidiary Record for CWIP:

NOAA's official subsidiary record for reporting CWIP is the FIMA Report FRFD15C (15C Report). The total CWIP balances stated thereon, including adjustments, are the source for CWIP balances in NOAA's General Ledger. The balances in the 15C Report, by major property

type, are audited extensively by NOAA's independent auditors in their effort to render an opinion on NOAA's annual financial statements.

The 15C Report is arrayed by task code and fiscal year and includes total obligations (undelivered orders plus accrued costs), capitalized costs, and uncapitalized costs. The obligation information is aggregated from the FIMA Master Files for all years in which the task is charged.

The capitalized and uncapitalized cost columns are adjusted by a separate process related to the input of NOAA Form 37-6 -- Report of Completed Construction Work In Process (form 37-6). The Finance Office in Germantown, MD, adjusts those columns upon receipt of the form 37-6 from the respective Personal and Real Property Offices. When a form 37-6 is entered into the 15C Report Database, the capitalized costs column is increased and the uncapitalized costs column is decreased by the costs, by task codes, stated on the form 37-6.

The 15C Report is updated monthly and is available on the NOAA Finance Home page @ <http://apollo.iso.noaa.gov/reports/fimarpts.html> . At the site, scroll down and click on “**Construction Work in Progress (FRFD 15C)**”. This and other FIMA reports, for reconciling obligations, can also be accessed on the Web via the following path:

From the NOAA Home Page (click the following headings):

- Office of Finance and Administration
 - Information Systems Office
 - Systems Division
 - Interactive - FIMA WWW Gateway
 - Reports
 - Interactive FIMA Reports
 - Construction Work In Progress (15C Report)

Monthly Reconciliation Process:

Monthly, each CWIP task manager is responsible for reconciling the balances on their proprietary books of record (i.e. CWIP obligations, capitalized and uncapitalized costs) to those reported on the 15C Report. Any variances between the 15C Report and the Line/Program Office's balances, that cannot be explained by a timing difference, must be corrected.

When the CWIP task/program manager determines that the 15C Report must be revised or corrected, it is the task/program manager's responsibility to prepare a NOAA Form 34-34 (“NOAA Finance Accounting Coding Document”) at the document level, and submit it to their servicing Administrative Support Center's Finance Office. A summary level cost adjustment would be submitted to the Finance

Office in Germantown, MD.

Similarly, if the reconciliation process exposes errors with the CWIP task/program manager's records, then those records must be adjusted to agree with the 15C Report. No form 34-34 would be submitted. Monthly reconciliations should be kept on file by the task manager should questions arise from the Line/Program, or Finance Office over the cost balances.

Year End Reconciliation Process:

At fiscal year end, each CWIP task manager is responsible for compiling a reconciliation of CWIP costs, capitalized (related to Form 37-6) and uncapitalized from their own records to the corresponding balances on the 15C Report.

This reconciliation, by major property category, is then forwarded to the task manager's Line/Program Office (LO/PO) for consolidation by major property category (see page 1, above). The LO/PO will then consolidate these reconciliations by property category and forward them to the NOAA Finance Office in Germantown, MD. Those consolidated reconciliations are due in Finance (Germantown), at fiscal year-end by the date specified in the memo "*Fiscal Year End Information, Schedules, and Reports Due from the Line/Program Offices to Finance (Germantown)*".

Note: If last minute adjustments are discovered after the year end reconciliation has been submitted to Finance, it is essential that you telephone or e-mail the Finance Office in Germantown, MD, so that Finance can make an on top adjustment to the CWIP account balance. The contact is Pete Kelchner, Chief Financial Statements Branch, at (301) 413-2120 X 185.

Reconciliation Tools:

The reconciliation of CWIP balances, both monthly and at year end, can be performed efficiently and reliably with a reconciliation template. Such a template, illustrated on the following page, allows the CWIP task/program manager to map and cross walk their CWIP balances to the 15C Report. The template essentially mimics the format of the 15C Report with additional columns for posting the "cuff" records maintained by the CWIP task/program manager plus memo columns that explain any differences or adjustments in transit. Given the number of columns involved, legal sized paper is recommended.

Supplemental Reconciliation References:

The balances on the FRFD15C Report also can be substantiated by reference to the IFIMA report “**CWIP**”, which uses the data set used to compile the FRFD15C Report. Access is through the “**Interactive FIMA World Wide Web Gateway**” page referenced above for the FRFD15C report. The report can be viewed in either “*Browse*” or “*Download*” mode.

Once inside either mode, select the report “CWIP”. (In the Download mode, “CWIP” is the very last item on the drop down menu). The next screen (in either format) is a template that solicits an array of data elements. (Although any and all of those data fields can be completed, one need only complete the task code field to get a status of undelivered orders, cumulative paid, and unpaid expenses for a specified task.) Proceed then, to the bottom of the screen and press “Query” (in the Browse mode) or “Generate” (in the Download mode) to view the requested CWIP information.

Important Note: Interactive FIMA queries will not work if you access the Interactive FIMA WWW Gateway page via Microsoft’s “*Internet Explorer*”. You must use Netscape “*Communicator/Navigator*”. If you have problems, call your systems’ help desk.

Other FIMA reports that can be used in the reconciliation process are listed below. They too can be accessed at the FIMA World Wide Web Gateway address. Those reports, which some CWIP program/task managers may choose to use as their primary record of CWIP obligations, are listed below.

- Monthly and Cumulative Cost and Obligation Detail Report *
- Weekly and Quarterly Document Status Reports *
- Status of Unliquidated Obligations *
- Master Files F99 (and earlier)
- F99 TRN
- F98 TRN
- F97 TRN (in archive) & Earlier
- Other FIMA Reports deemed appropriate by the task manager/program office

* Includes an “Interactive” (query based) format of the file.

Editing NOAA Form 37-6 Prior to Submission to Appropriate Property Office:

Before a form 37-6 is submitted to the appropriate Personal or Real Property office, the preparer must ensure that the costs stated thereon cross walk to the appropriate CWIP task codes and corresponding cost balances on the 15C Report. If the amounts on the form 37-6 do not cross walk to the 15C Report, a brief explanation must accompany the form 37-6 explaining the differences (e.g. timing

differences caused by cost adjustment in transit, vendor invoice, etc).

Questions, Comments, and Contacts:

If you have any questions about this reconciliation process or comments on these prescribed procedures, please contact Pete Kelchner or Nick Bayer at NOAA's Finance Office in Germantown, MD, at 301-413-2120 X 185.

Glossary of Terms

Accrued Paid Expenses - Goods and services that have been received (delivered) and paid for.

Accrued UnPaid Expenses - Goods and services that have been received (delivered) but not yet paid for.

Capitalize - To record as an asset. Then, subsequently recognize a portion of the original acquisition cost as an operating expense (depreciation/amortization) over a predetermined time period (estimated useful life). Capitalized assets are reported on NOAA's balance sheet net of accumulated depreciation/amortization. NOAA has established dollar thresholds and minimum useful lives as criteria for property capitalization. For further guidance, see NOAA's "Personal Property Home Page" @ <http://www.wasc.noaa.gov/noaaprop/>

Construction Work In Progress (CWIP) - A temporary "holding account" for collecting costs during projects related to the acquisition of capital property, plant, and equipment. Applicable to projects defined by the following: 1) having an aggregate acquisition cost of \$200,000 or more or bulk purchase of \$1,000,000 or more; 2) having an estimated service life of 2 years or more; 3) provides a long-term economic benefit to the organization which maintains or obtains control, and 4) not intended for sale in the ordinary course of operations, and 5) will eventually be capitalized and reported in the financial statements.

CWIP Task Code - A unique six digit alphanumeric index assigned to capture all costs associated with a given CWIP project. A CWIP project will have at a minimum two task codes. 1) A unique task code for capturing all costs associated with the project that are to be capitalized. 2) A second task code for non-capitalized (expensed) costs. The CWIP Policies and Procedures Manual discusses CWIP task codes in detail. Additional information on task codes and their structure can be found in Chapter 12, Section 3, of the NOAA Finance Handbook.

CWIP Task Manager - The individual who initiates obligating documents for a CWIP project. They also collect and verify all costs, including direct and incidental labor associated with the CWIP project. See the CWIP Policies and Procedures Manual for a detailed list of the responsibilities of a CWIP task manager.

Expense - The act of recognizing as a cost of operations non capitalized assets or the periodic depreciation/amortization related to capitalized assets. Expenses are reported on NOAA's income statement.

Line Office - The largest organizational component of NOAA that is responsible for carrying out a

series of related strategic and operational objectives. A Line Office is responsible for management of funds allocated to it by NOAA's Comptroller. NOAA Line Offices include: National Environmental Satellite, Data and Information Services (NESDIS); National Marine Fisheries Services (NMFS); Office of Oceanic and Atmospheric Research (OAR); National Ocean Service (NOS); and the National Weather Service (NWS).

Program/Staff Offices - Offices that provide administrative and technical support to the Line Offices. These include among others: the Office of High Performance Computing and Communications; Systems Acquisition Office; Office of NOAA Corps Operations, and Office of Comptroller.

Total Obligations - The sum of undelivered orders and accrued costs (paid and unpaid) at the end of a period e.g. month, or year end.

Uncapitalized Costs - The dollar balance of a CWIP project that represents the difference between total accrued costs and the capitalized portion (amount transferred to a property account at the completion of the project as reported on a Form 37-6). The uncapitalized portion may include excess or invalid cost balances that need to be expensed or adjusted at the close of a CWIP project.

Undelivered Orders - Orders for goods and services that have been ordered but not received. When undelivered orders become delivered, they are recognized as an expense, whether or not paid.

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